INTRODUCTORY STATEMENT

PRESS CONFERENCE

Mario Draghi, President of the ECB,Luis de Guindos, Vice-President of the ECB,Frankfurt am Main, 12 September 2019

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Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today's meeting of the Governing Council.

Based on our regular economic and monetary analyses, we have conducted a thorough assessment of the economic and inflation outlook, also taking into account the latest staff macroeconomic projections for the euro area. As a result, the Governing Council took the following decisions in pursuit of its price stability objective.

First, as regards the **key ECB interest rates**, we decided to lower the interest rate on the deposit facility by 10 basis points to -0.50%. The interest rate on the main refinancing operations and the rate on the marginal lending facility will remain unchanged at their current levels of 0.00% and 0.25% respectively. We now expect the key ECB interest rates to remain at their present or lower levels until we have seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within our projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

Second, the Governing Council decided to restart net purchases under its asset purchase programme (APP) at a monthly pace of €20 billion as from 1 November. We expect them to run for as long as necessary to reinforce the accommodative impact of our policy rates, and to end shortly before we start raising the key ECB interest rates.

Third, we intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Fourth, we decided to change the modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III) to preserve favourable bank lending conditions, ensure the smooth transmission of monetary policy and further support the accommodative stance of monetary policy. The interest rate in each operation will now be set at the level of the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO. For banks whose eligible net lending exceeds a benchmark, the rate applied in TLTRO III operations will be lower, and can be as low as the average interest rate on the deposit facility prevailing over the life of the operation. The maturity of the operations will be extended from two to three years.

Fifth, in order to support the bank-based transmission of monetary policy the Governing Council decided to introduce a two-tier system for reserve remuneration in which part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate.

Separate press releases with further details of the measures taken by the Governing Council will be published this afternoon at 15:30 CET.

The Governing Council reiterated the need for a highly accommodative stance of monetary policy for a prolonged period of time and continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

Today’s decisions were taken in response to the continued shortfall of inflation with respect to our aim. In fact, incoming information since the last Governing Council meeting indicates a more protracted weakness of the euro area economy, the persistence of prominent downside risks and muted inflationary pressures. This is reflected in the new staff projections, which show a further downgrade of the inflation outlook.

At the same time, robust employment growth and increasing wages continue to underpin the resilience of the euro area economy. With today’s comprehensive package of monetary policy decisions, we are providing substantial monetary stimulus to ensure that financial conditions remain very favourable and support the euro area expansion, the ongoing build-up of domestic price pressures and, thus, the sustained convergence of inflation to our medium-term inflation aim.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Euro area real GDP increased by 0.2%, quarter on quarter, in the second quarter of 2019, following a rise of 0.4% in the previous quarter. Incoming economic data and survey information continue to point to moderate but positive growth in the third quarter of this year. This slowdown in growth mainly reflects the prevailing weakness of international trade in an environment of prolonged global uncertainties, which are particularly affecting the euro area manufacturing sector.

At the same time, the services and construction sectors show ongoing resilience and the euro area expansion is also supported by favourable financing conditions, further employment gains and rising wages, the mildly expansionary euro area fiscal stance and the ongoing – albeit somewhat slower – growth in global activity.

This assessment is broadly reflected in the September 2019 ECB staff macroeconomic projections for the euro area. These projections foresee annual real GDP increasing by 1.1% in 2019, 1.2% in 2020 and 1.4% in 2021. Compared with the June 2019 staff macroeconomic projections, the outlook for real GDP growth has been revised down for 2019 and 2020.

The risks surrounding the euro area growth outlook remain tilted to the downside. These risks mainly pertain to the prolonged presence of uncertainties, related to geopolitical factors, the rising threat of protectionism and vulnerabilities in emerging markets.

According to Eurostat’s flash estimate, euro area annual HICP inflation was 1.0% in August 2019, unchanged from July. Lower energy inflation was offset by higher food inflation, while the rate of HICP inflation excluding food and energy was unchanged. On the basis of current futures prices for oil, headline inflation is likely to decline before rising again towards the end of the year. Measures of underlying inflation remained generally muted and indicators of inflation expectations stand at low levels. While labour cost pressures strengthened and broadened amid high levels of capacity utilisation and tightening labour markets, their pass-through to inflation is taking longer than previously anticipated. Over the medium term underlying inflation is expected to increase, supported by our monetary policy measures, the ongoing economic expansion and robust wage growth.

This assessment is also broadly reflected in the September 2019 ECB staff macroeconomic projections for the euro area, which foresee annual HICP inflation at 1.2% in 2019, 1.0% in 2020 and 1.5% in 2021. Compared with the June 2019 staff macroeconomic projections, the outlook for HICP inflation has been revised down over the whole projection horizon, reflecting lower energy prices and the weaker growth environment.

Turning to the **monetary analysis**, broad money (M3) growth increased to 5.2% in July 2019, after 4.5% in June. Sustained rates of broad money growth reflect ongoing bank credit creation for the private sector and low opportunity costs of holding M3. The narrow monetary aggregate M1 continues to be the main contributor to broad money growth on the components side.

The annual growth rate of loans to non-financial corporations remained unchanged at 3.9% in July 2019. The annual growth rate of overall loans to non-financial corporations continues to be solid, although short-term loans – which are more sensitive to the cycle – show signs of weakness. The annual growth rate of loans to households stood at 3.4% in July, after 3.3% in June, continuing its gradual improvement. Overall, loan growth is still benefiting from historically low bank lending rates.

The monetary policy measures we have taken today, including the more accommodative terms of the new series of TLTROs, will help to safeguard favourable bank lending conditions and will continue to support access to financing, in particular for small and medium-sized enterprises.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed that an ample degree of monetary accommodation is still necessary for the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

In order to reap the full benefits from our monetary policy measures, other policy areas must contribute more decisively to raising the longer-term growth potential, supporting aggregate demand at the current juncture and reducing vulnerabilities. The implementation of **structural policies** in euro area countries needs to be substantially stepped up to boost euro area productivity and growth potential, reduce structural unemployment and increase resilience. The 2019 country-specific recommendations should serve as the relevant signpost.

Regarding **fiscal policies**, the mildly expansionary euro area fiscal stance is currently providing some support to economic activity. In view of the weakening economic outlook and the continued prominence of downside risks, governments with fiscal space should act in an effective and timely manner. In countries where public debt is high, governments need to pursue prudent policies that will create the conditions for automatic stabilisers to operate freely. All countries should reinforce their efforts to achieve a more growth-friendly composition of public finances.

Likewise, the transparent and consistent implementation of the European Union’s fiscal and economic governance framework over time and across countries remains essential to bolster the resilience of the euro area economy. Improving the functioning of Economic and Monetary Union remains a priority. The Governing Council welcomes the ongoing work and urges further specific and decisive steps to complete the banking union and the capital markets union.

We are now at your disposal for questions.

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Good afternoon Mr President.

President Draghi: Good afternoon.

The question, my first question would be about the dynamic in the room because going into the meeting we've seen quite a vocal opposition, especially to the restarting of the QE, so probably me and the others here would like to know how much support each of the instruments that were eventually adopted got and whether, how much support was there for it? My second question is specifically about your Asset Purchase Programme (APP) because it's effectively a programme that's open-ended, it starts from November which basically means you will end up buying bonds or assets for months or years, the question is do you have the space to do it, have you considered changing limits or adding other assets to the programme? Thank you.

President Draghi: Thank you. If I can, before giving you the sort of the chemistry of the meeting let me just spend a word trying to explain what we have actually done. I think as I kind of sketched in the Introductory Statement there were three elements that prompted action. Along the lines, by the way, that you would find in my Sintra speech. First of all after, and again if anything after Sintra the case became even stronger because the protracted slowdown in the eurozone economy is actually more marked than expected, this is the first element. The second element is the persistent and the persistence of downside risks of trade nature but also geo-political nature in the eurozone. And by the way our baseline scenario that actually contains the third reason for acting, namely the downward revision in projected inflation with the inflation expectations at this low level and the current underlying inflation being muted. This baseline scenario is also relatively favourable because it doesn't contain the case of a hard Brexit for example, the probability of which has gone up over recent time, and it doesn't contain some of the trade measures, trade escalation at least, some of the trade escalation that's taken place since August. So with this relatively favourable baseline scenario there was a downgrade in inflation and inflation expectations. And so that's over the whole horizon. And that's what prompted the measures we've taken and let me just spend a word explaining them and then I will answer your points more specifically. First of all, the lowering of the DFR, the Deposit Facility Rate, together with the reinforced forward guidance operates all throughout the yield curve, especially in the short- and the medium-term segments. And then you see that there is a different forward guidance today, it's a strengthened state-dependence, there is no more calendar-dependence and this should give a pretty good guidepost, pretty clear guidepost for rate expectations by linking our policy to more stringent conditions for the inflation outlook. Over our projection horizon, projected inflation will not only need now to converge but also as I think I read in the Introductory Statement, also stabilise around a level sufficiently close to but below 2%. The reference to levels sufficiently close to but below 2% signals that we want to see projected inflation to significantly increase from the current realised and projected inflation figures which are well below the levels that we consider to be in line with our aim. Our guidance would remain forward-looking but at the same time it contains elements that protect us against the risk of over-reacting to transitory shocks to inflation as well as against forecast and measurement errors, as we would emphasise that convergence should be robust, that's important, and also important is the reference to underlying inflation that will have to increase to ensure that the pickup in inflation is backed by a sustained build-up of domestic price pressures. I think that's the explanation of the first few elements of today's decision. Now I can also give you an explanation of why the restarting of the APP is appropriate but we can defer this to the next question perhaps. And let me now move to the other point, your first question was about the chemistry of the meeting. First of all let me start from one thing about which there was unanimous consensus, unanimity, namely that fiscal policy should become the main instrument it's quite clear that in order to raise demand in an effective… you've seen the language of the Introductory Statement after many years I think of being more or less the same about fiscal policy that has changed and I think there was complete agreement about that. And if you see also if you compare what's happening now that jurisdictions where inflation rates are higher and you look at monetary policies that are broadly comparable in terms of easing capacity, you see that fiscal policy did play in these jurisdictions a much more active role than it played here and I'm talking now not only about this year, last year, I'm talking about the last six, seven years. Almost all the things that you see in Europe, the creation of more than 11 million jobs over a short period of time, the recovery, the sustained growth for several quarters were by and large produced by our monetary policy. There was very little else, of course there were structural reforms in some countries, in some countries. So now it's high time I think for the fiscal policy to take charge. Second, there was a broad agreement on the parts concerning forward guidance and the rate cut and the reinvestments and the TLTRO. So you can see that that part was by and large agreed. And then there was of course more diversity of views as it was vastly pre-announced by statements on all newspapers, wires, television and so on, there was more diversity of views on APP, but then in the end the consensus was so broad, there was no need to take a vote. So the decision was in the end assured by a very broad consensus, as I said there was no need to take a vote, there was such a clear majority there. So I will say one word about where the main differences actually lay in the discussion. I think there was again full agreement about the need to act, but the difference of views were about the severity of the outlook. In other words the majority of the Governing Council believed that the outlook was deteriorating as I said in a way greater than expected and the revision in the growth and inflation projections granted full action. Others viewed this deterioration with a little more caution. The second point was about the need to act now. As usual you have always views that say let's wait and see and the Governing Council decided to act now this time. And the third is about the appropriateness of the APP, by the way one reason to also act now concerns inflation expectations that we've seen not only the ones that are now at low levels but we see that inflation expectations are not de-anchoring but are re-anchoring at levels between zero and 1.5% which is not our aim. That's why the Governing Council, in full consistency with its mandate, did decide to act now and the package is quite powerful both in the short run but also in the long run in designing action over the coming months. So the appropriateness of these instruments because some think that the APP is appropriate only for risks of deflation, others thought that the level of interest rates is already so low that it doesn't need action on the APP, but the majority of the Governing Council believed that action was warranted and so that was the chemistry basically. Now the limits, there was no appetite frankly to discuss the limits for one good reason, because we have relevant headroom to go on for quite a long time at this rhythm without the need to raise the discussion about limits. I think I will stop here.

Let me take your point on the length of the programme and also how long you think those measures are needed because I think one of the surprising elements of the proposed package

was that the APP comes in with an unlimited amount of time right, so what are you expecting how long does this need to prevail in order to really get inflation back to target and in your experience how much effort does the Central Bank need to do in order to re-anchor inflation back at where you want to have it? And then another question is did you discuss also to move the marginal lending rate into negative territory and is that an option which could be a next step and why didn't you do it, enlarging the corridor now? Thank you.

President Draghi: Thank you. As far as the first question is concerned we really think this package is adequate to re-anchor inflation expectations and by the way again if I may repeat myself, if fiscal policy had been in place, or would be put in place, the side effects of our monetary policy would be much less, the action of our decisions today would be much faster and therefore the need to keep in place some of these measures would be less. So we believe this package to be adequate and your other question was about whether we discussed, no we didn't, we didn't discuss changing the marginal lending rate, no.

Mr Draghi, going into today's meeting how many members early on in the meeting were actually against quantitative easing even though you didn't take a vote in the end, and did you also discuss higher amounts of monthly purchases before your final decision?

President Draghi: I'm sorry the answer is that I can't tell you the numbers, we never did it, we're not going to do it, just to let you know that there was no need to take a vote as I said because there was such a significant majority. The second point is no, we didn't discuss it.

Can you address this issue of how long the Asset Purchase Programme will last, the markets seem to be assuming that this is QE ad infinitum; can you also talk about the make-up of the QE, the type of assets that you're planning to purchase and can you also talk about helicopter money and what's your view on whether there could in the future be a need for direct action?

President Draghi: OK there was no discussion about the type of assets meaning that by and large it's going to be the same we purchased in the past. Now with helicopter money I've got to be very cautious because last time I was asked this it was about a year, year and a half ago, I said well it may be an interesting thing but we haven't discussed it and immediately everybody said: "oh they are talking about this," it has not been discussed, it is not an option that we considered.

Yes Mr President, you will forgive me if I read you a tweet. It's from Donald Trump.

President Draghi: Yes, yes I've seen it.

Yes, some minutes ago he tweeted like "European Central Bank acting quickly cuts rates ten basis points. They are trying and succeeded in depreciating the euro against the VERY strong dollar." It's all capital letters. "Hurting US exports and the Fed sits and sits and sits. They get paid to borrow money while we are paying interest." So I would like you maybe to comment on this and second you know that in Germany there is a very strong discussion about banks and negative rates on deposits and their intention to transfer these negative rates on retail clients, I wanted to know if you have an opinion on this.

President Draghi: Thank you, now the first question I in a sense answered to the first question on the occasion of the first tweeter and the answer is very simple. We have a mandate, we pursue price stability and we don't target exchange rates, period. On negative rates I think today, I have said several times negative rates have been actually a very positive experience in terms of stimulating growth, sustaining inflation but it's quite clear, and I did say this several times, that they have side effects and they have negative side effects and it's not so much that we want to protect bank profits, that's not, certainly not our mandate but it's that we want to protect the smooth transmission of the lending channel. We should never forget that the European economy is a bank-based economy, that lending goes through banks and we want to protect the transmission of monetary policy through the lending channels. I think that's the, shall we say the philosophy behind the tiering measures, the mitigating measures that we have discussed and approved today.

Hi Mr President, I would like to know the different options that the Eurosystem committees that were tasked to bring to the Governing Council. Which different options besides the one adopted?

President Draghi: I think we don't discuss, by the way when we have our discussions we discuss the presentation of the Chief Economist, the proposal of the Chief Economist and this proposal did not contain options, it was what I just read in the Introductory Statement and I commented about.

Good afternoon President Draghi, there is a growing consensus to change the rules of the stability pact and the concern that pushed you to restart a stimulus, does this mean that you join this consensus? And second question because the inflation expectation seems anchored to a different target of yours would you support the view expressed also by your successor Christine Lagarde to review the inflation targets?

President Draghi: Thank you. No, we made the case for fiscal policy to sustain demand and we make this case on and on, even more frequently in the coming future. We actually didn't discuss, if you read, we didn't discuss the stability pact and as a matter of fact we have a sentence here that says exactly that the transparent and consistent implementation of the European Union's fiscal and economic governance framework over time and across countries remains essential to bolster the resistance of the euro area economy. Having said that, countries that have fiscal space then we say they should act in an effective and timely manner. If I'm not mistaken. Let me see. Governments with fiscal space should act in an effective and timely manner. Exactly, in view of the weakening economic outlook and the continued prominence of downside risks in countries where public debt is high governments need to pursue prudent policies that will create the conditions for automatic stabilisers to operate freely. So the stability and growth pact discussion is essentially a discussion between member states and the Commission and these are the statements that we can make today. Now the other question was about? Yeah the other question is whether we can, this again it was a question that has been asked many times you can imagine over these years, and by the way you have two different camps here, the ones who say: "listen, given that you are still kind of far from say 1.9 whatever is our aim, why don't you cheerfully and happily accept 1% as an objective so you can claim victory." Now, that is an issue that we always rejected. There's another camp that says: "if you raise your objective to 4% people will believe you and their expectations will go up." I don't want to pre-judge, by the way all this will be the topic of the strategic review that the next President will carry out together with the Governing Council, the reasons why we, during my tenure, we always objected to changing the target, by the way the reasons are different whether you go up or you go down, but there's one common reason that when you change a target that you can't reach the action is not very credible, if you can't reach two why are you going to go to four, and on the other hand to change the other side would have other drawbacks and so for a variety of reasons we've always refrained from changing this, but this as I said is going to be one of the topics of the strategic review.

Thank you, I've got two questions Mr Draghi. The first is the Asset Purchase Programme was a little bit more hawkish than private economists expected, your forward guidance was a little bit more dovish, is that aimed at giving your successor maximum flexibility including on rejigging or reconsidering any kind of purchase limits? The second question if you'll forgive me if we could go back to the Tweeter-in-Chief, would any effort by the US to directly or indirectly weaken the dollar complicate your goals and would you have any specific reaction plan should the US intervene to weaken the dollar?

President Draghi: The answer to the first question is that we take our decisions really not with the idea of creating the kind of a ground for my successor but we've taken our decisions as I said at the beginning on the basis of objective elements that have to do with a weakening of the economic outlook, weakening that is more serious than expected, and with a revision in the inflation projections and with the persistence of uncertainty. So these are the elements at the basis of our decisions today. Now on the second question you know we stick with the G20 consensus, namely that we will never pursue competitive devaluation, so we expect that all the G20 members would underwrite the same consensus.

Thank you Mr President, I was quite surprised that a lot of economists who didn't talk that way in the past are now changing their opinion and are questioning whether the side effects of the monetary policy, the negative side effects will sometime very soon be bigger than the benefits. So do you see any point in the future where this could happen?

President Draghi: I think that this concern is very well placed. I think we should be aware of the side effects of our policies, be they interest rates or asset purchases and we are monitoring, we are closely monitoring the side effects; the Vice President through his financial stability action is closely monitoring all these effects. So we are keenly aware. Now to many of these side effects the answer is not to change monetary policy but rather implement specific macroprudential policies but as I said this has been a constant point of action, a constant point of concern.

I have two questions, one is on one of the actions today on TLTROs because there has been I think more than the market expected. They're longer and there is ten basis points on the top and this is even before the TLTROs are in place, so is there a worry, a preoccupation that loans are not really going to especially SMEs? And then my second question is on this statement on effective and timely manner for governments with fiscal space. Today a very important think tank in Germany saw a recession on the horizon for Germany. What is your view on the risk of recession and do you think that a country should act before it has a recession rather than wait to have it to change the fiscal policy?

President Draghi: Thank you, well when we approved … the first question is about TLTROs, when we approved the TLTROs basically if I remember correctly there were two criteria, the first was to ensure that our monetary policy would be transmitted through the bank lending channel and the second would be that these conditions would be dependent on the macroeconomic outlook which has worsened since we approved the TLTRO and therefore there has been an adjustment in the TLTRO's conditions.

The second point is about recession, we still think the probability of a recession for the euro area is small but it's gone up, but still we believe it's still a small probability, while with respect to Germany as such, well we've seen today two business cycle institutes saying that it's either a recession already or they foresee a clear recession or it's about to get into a recession, I'm not … and so that's the case, but that's the case for timely and effective action on the fiscal policy side. By the way let me say something I've said many times, it's in a sense easy to make recommendations to governments to do this and to do that, so in doing so and you know this, I've said this many times, we've got to be extremely humble. It's something that we should say because the instruments ought to be activated, as I said everybody was unanimous about that today, but we should also be aware that there are objective and specific difficulties about doing this in different countries by the way.

Thank you, this is a follow up question to one of the questions of my colleagues about negative side effects. Your proposed successor Christine Lagarde also said in the European Parliament she wants to look more closely at the concerns of citizens about the negative side effects of the ECB's accommodative monetary policy and one such side effect is of course the severe pressure on pension funds through continuing low rates. It seems increasingly likely that large Dutch pension funds will have to cut pay-outs so were the pension funds discussed at the meeting today and is there in your view a risk that monetary policy actually harms demand since people will have less money in their pockets?

President Draghi: Thank you, the answer to the last point is no, we haven't seen that. But we still are very concerned about the pension and the related services industry and certainly this is one of the side effects. Having said that, it's quite clear that to the extent that negative rates prompt or speed up the recovery they will also benefit pension funds and insurance companies, so the main point here is really negative rates are necessary instruments of monetary policy and this is what the Governing Council has stated now for quite a long time. It has created a lot of positive effects, how do we speed up these effects so that interest rates can go up again? And the answer is once again fiscal policy at this point. By the way as a matter of fact I understand the Dutch Government has a 50 billion investment programme and that's a good time to activate it.

Mr Draghi, can you say a little bit more about the motive for making the duration of the Asset Purchase Programme contingent on the first rate hike? And my second question was you said that interest rates will remain at their present or lower levels until inflation not only converges but stabilises. Was the possibility or the desirability of inflation stabilising temporarily above 2% discussed, would you be against that and if so why?

President Draghi: Thank you, the answer to the second question is actually it was not discussed, so we really start with that definition and with the aim as it has been expressed and the symmetry means that we react to inflation rates that are below our aim with the same strength we would react to inflation rates which are above our aim. It seems obvious but evidently it needed to be re-stated and so now concerning the Asset Purchase Programme let me just say a few things. First of all it has a larger impact on longer-term rates and provides further support to the funding costs that matter for business and households. Also with this formulation the horizon of net purchases dynamically adjusts to changes in our interest rate forward guidance and therefore works in the background to keep a lid on medium to longer-term interest rates. So you see the two instruments interact together. By adding to the stock of assets and re-investing for longer we can postpone an undue tightening in term premia which mechanically occurs as the APP's portfolio loses average duration. In addition, APP net purchases have strong signalling effects and wealth effects on the balance sheets of banks and other entities and the APP tends to have a more powerful effect on the formation of inflation expectations by demonstrating our commitment to use all instruments in pursuit of our aim. You remember me saying this that all instruments were on the table, they were all ready to be used, well today we did it.

Mr President again on the side effects was there today in the Council a longer discussion about the proportionality of the programme given the possible side effects and which side effects are concerning you personally most?

President Draghi: There was certainly discussion about the proportionality but it did not concern so much the negative rates. In other words the consensus was I would say very, very, very broad on cutting the rates. So the proportionality discussion was mostly focussed on the restarting of the APP, where frankly the side effects are less visible, they may be there but they are less visible than cutting the rates for the reasons that we have discussed before. I'm sorry you asked another question? Oh well I think I expressed that before, we should not, I mean we should be very aware of these side effects, in fact one of the answers we have is with the tiering measures that we approved today, we're trying to protect the transmission of our monetary policy through the bank lending channel from some side effects that the negative rates might have, that's one example. Of course there are many other side effects we should be aware of that go beyond banks as it was asked to me a moment ago.

Mr President I also would like to touch on the decrease of the deposit facility rate, I do very well understand that the Governing Council has not too much interest in the profitability of the banking system but on the other hand aren't you concerned that there may be a lack of confidence in the population and a lack of confidence in the ECB of the population, if it gets a feeling that parts of the costing of the financial crisis are more and more shifted to them. And second question as you are aware the CEO of the Deutsche Bank recently said at a conference that if the ECB is continuing this type of monetary policy it may lead or will lead to a destabilisation or a collapse of the financial system, what do you say to this comment?

President Draghi: Thank you. First the first question, we certainly are aware of the side effects, the negative side effects on the people especially in those parts of the eurozone where the negative rates are being passed to corporate, so far as far as I understand its [only] corporate depositors, but it's an increasing percentage of them, so we are concerned. And part of the reasoning about this is again which has to do with the transmission of monetary policy, part of the reasons why we approved the tiering measures today, the mitigating measures is also to try to soften, to reduce this transfer of cost to the borrowers. But we should be ultimately confident that with the recovery and the re-starting of the anchoring of the inflation to our aim, the interest rates will go up at that point. People should be explained that negative interest rates are a necessity and that's very important. And I think the trust in the ECB ultimately will be based on whether it has delivered on its mandate of price stability or not. It has delivered on a variety of fronts, as I said before, more than 11 million jobs being created in a few years and I'm pretty sure, and the German citizens certainly benefited from the ECB's monetary policy for a long time and quite significantly. Now the second point is about the comments made that negative rates, negative rates are clearly … I mean it's something the banks would like to have positive rates, unquestionably, so whenever they have negative rates they don't like it, but I wouldn't go as far as saying that negative rates would cause the collapse of the financial system because before getting there one has to look at other things of our banks. For example the cost income ratio, many of our banks have cost income ratios which are completely way off any average indicator, both in Europe and even more so in the world, if compared with other banks in the other parts of the world. There are certain structural weaknesses in the banking sector, more pronounced in certain parts of the eurozone than in others. I think these sort of considerations affect much more than negative rates, banks' profitability, banks' capacity to lend. The necessity to adjust the business model to the digitalisation, to the changes in technology is something much more compelling than being angry about negative rates.

Mr President actually Germany is the country that has most, the biggest role to make expansive fiscal policies, Italy on the other side is a country that would make most the expenditure but has certain necessity to consolidate the situation. How do you think that the package that you decided today can be useful for both these so different situations?

President Draghi: Well I must confess we haven't discussed this side of the usefulness of our package for one good reason, they are packages not meant to finance Government deficits, our package would be in full respect of the Treaty which forbids monetary financing, so our objective is price stability and we want to deliver on our mandate, so whether which country would benefit, which country would be more comfortable with the present package was not an issue of discussion today.

Two questions, one on fiscal policy, you've obviously put a lot of emphasis on that today, are you maybe sending a message to governments that you know it's their time to step up to the plate and the ECB is not going to come to the rescue forever, and then a related question you may be aware of a paper that was published by BlackRock recently, one of the authors was Stanley Fischer, your thesis advisor, which called for central banks to start thinking about putting money, central bank money, directly in the hands of citizens and I heard your answer earlier to helicopter money, but if governments don't step up to the plate isn't that something that the ECB needs to consider?

President Draghi: Thanks, the first question is definitely yes and the second question you know all these innovations in monetary policy need to be looked at and studied and thought over. These are big, big changes in the way monetary policy works and we have not discussed this. They may be part of this strategic review in the future but at this present point the Governing Council never discussed, well you've seen how cautious we've been in not … and by the way in the end we decided not to change the inflation target for many years and so now these are momentous changes in the way not only monetary policy but the whole economy is supposed to work. Also let's keep in mind all the times that giving money to people in whatever form, it's a fiscal policy task, it's not a monetary policy task. Thank you.

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